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MEMORANDUM

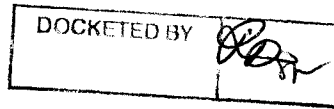
TO: Docket Control Center ^{Arizona Corporation Commission}
FROM: Steven M. Olea ^{DOCKETED}
Director ^{JUL 27 2011}
Utilities Division

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AZ CORP COMMISSION
DOCKET CONTROL

DATE: July 26, 2011



RE: RED ROCK UTILITIES, L.L.C. (DOCKET NO. WS-04245A-07-0363)

In Decision No. 70030, dated December 4, 2007, the Arizona Corporation Commission ("Commission") approved the application of Red Rock Utilities, L.L.C. ("Red Rock" or "Company") for a Certificate of Convenience and Necessity ("CC&N") to provide water service in Pima County. As part of Decision No. 70030, the Commission ordered that Red Rock:

"...file within 24 months of the effective date of this Decision a copy of the "Approval to Construct" for Phase I issued by the ADEQ."

Based on the December 4, 2007 date of Decision No. 70030, the Commission-imposed due date for the above compliance item was December 4, 2009.

On May 8, 2009, the Company filed a motion seeking a two year extension of time for the provision of the required Arizona Department of Environmental Quality ("ADEQ") Approval to Construct ("ATC"). Staff filed a response on June 18, 2009, and did not object to the Company's requested extension. On August 6, 2009, the Commission issued Decision No. 71226 which approved the Company's request for extension of time until December 4, 2011.

On June 13, 2011, Red Rock filed for a further extension of time until December 4, 2013, for the presentation of the required ADEQ ATC. The Company identified that the "recessionary effects" which impacted the Company's development plan have persisted. The developer ("Verano, South Wilmot Land Investors ("SWLI")) thereby determined that the project could not be developed as originally anticipated and that the ultimate time of development would remain uncertain until the economy improved. SWLI then negotiated an amendment to the original 2005 agreement (Swan Southlands Specific Plan Development Agreement) with Pima County which set forth the project timeline. The result was an amended and restated agreement in which Section 3.1 puts forth the intent of the parties:

"It is the intent of the parties to permit Developer [i.e. SWLI] somewhat more flexibility with respect to the timing and phasing of the Property's development, but still to provide for the orderly development of the Property and the concurrent development of on-site and off-site infrastructure needed for the area"

In addition, the application provides that Pima County has conditionally approved various Company plans, in particular: a Transportation and Financing Plan; a Master Watershed and Master Drainage Report; and an Off-Site and On-Site Basin Study Proposal. Further, the Company provides that it has made preparations to drill two wells, construct 4,400 feet of 8 inch transmission main (connecting those wells) and construct 1,300 feet of 12 inch transmission main for the 122 acre development. Although the 122 acre parcel was sold to Corrections Corporation of America ("CCA") in December 2010 and is scheduled to become the site of a new correctional facility, Red Rock will provide water service to the "boundary of that site by means of the aforesaid wells and transmission mains". Those facilities will also be used to provide water service to the Verano project as it further develops.

Based on all of the above, Staff does not object to Red Rock's request for an extension of time until December 4, 2013, for the filing of the required ADEQ ATC. It appears that Red Rock and the developer have shown progress in that they have dedicated time and money to the plan for development. Pima County also appears to remain supportive of the amended development plan. Finally, Staff notes that the application includes an updated request for service letter in which SWLI reiterates its desire for Red Rock to provide potable water service to the Verano development. Staff therefore recommends that the Commission extend the due date for the provision of the ADEQ ATC until December 4, 2013.

SMO:BKB:lhbm

Originator: Brian K. Bozzo

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DOCKET NO. WS-04245A-07-0363

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